

SECRET

NFAC # 3.4

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Officers

13 July 1979

MEMORANDUM FOR: Director of Central Intelligence

FROM :
National Intelligence Officer for China

25X1A

SUBJECT : Activities/Events/Trends in China of Possible
Interest to Policymakers

1. Action Requested: None; this memorandum is for your information only.

2. Background: You requested that each NIO address the above subject for his area of responsibility at the NIO meeting scheduled for Monday, 16 July. I have a long-standing engagement outside Washington on that date, and accordingly forward herewith the observations I would otherwise have made orally at the NIO meeting.

3. I believe that there are three aspects of Chinese policy and outlook which deserve particular attention:

a. The question of continuity within the Chinese leadership. Beijing's recently-concluded National People's Congress session appeared to endorse much of the program and philosophy for national development which we have attributed to Deng Xiaoping--heightened pragmatism, separation of the Party from management, diminished attention to ideology and the role of Mao Zedong, emphasis on democracy (albeit of a "socialist" nature) and rule of law, increased material incentives, continued concentration on the "four modernizations as China's primary task." Newly-appointed national leaders appear to be supportive of this philosophy.

-- However, Deng Xiaoping himself may have been criticized for some of his policy initiatives, especially with respect to Vietnam, the US, and the USSR. He has said he will make no more foreign visits, and reportedly wishes to retire.

25X1

SECRET

SECRET

-- In addition, the pace and scope of the "four modernizations" have been cut back. This may also in part be a reflection on Deng.

-- If Deng has slipped somewhat, it may be at the hands of a tough-minded, conservative group which, while going along in general with Deng's approach, will be less flexible and more concerned with establishing a direct link between China's actions (e.g., in foreign policy) and achieving tangible benefits for China. Some effect may be felt on US-PRC relations.

b. Related to the above, the question of US relations with Taiwan and their effect on US-Chinese relations. Some Chinese surely are critical of the rather broad ties which continue between the US and Taiwan despite their "unofficial" nature, most notably the mutual defense aspects of the Taiwan omnibus legislation and our continued sales of defensive arms. Deng may have been blamed for not reaching a better deal from us in return for normalization, and the execution of our Taiwan policy will be scrutinized closely by Beijing.

-- It is also conceivable that the Chinese will contrast our sale of arms to Taiwan with our withholding such sales to China, and in the light of a claimed common interest in opposing Soviet "hegemonism," may pressure for a more forthcoming attitude toward China's own arms needs. Deng told Senator Church's delegation that if we "dared" to sell China arms (he mentioned F-15s and F-16s), China would "dare" to buy. We also know that China wants to buy P-3s. This matter might come up during the Vice President's visit to China, and could also relate to other sensitive areas of possible US-China cooperation of which you are aware in terms of a quid pro quo.

-- It is still unclear, though, what priority China will give to national defense as part of the "four modernizations." We have heard that defense was supposed to come last, but the 1979 budget figures announced at the NPC called for a 20 percent increase over 1978 because of Vietnam and the need to strengthen China's military strength along its borders. We do not yet know how much would relate to Vietnam expenses and how much, if any, to new arms purchases.

SECRET

SECRET

c. The question of China's policy toward Indochina: Vietnam, Kampuchea, Laos, Refugees, and Thailand. China can be expected to work against Vietnam's position in Indochina on every possible occasion. While the possibility of an effort to teach Vietnam a "second lesson" militarily cannot be discounted [REDACTED]

25X1C

25X1C

25X1C

[REDACTED] of more immediate interest is China's likely political activity over the next several months.

-- Sihanouk now speaks of leading some form of Kampuchean "united patriotic front" which while still rejecting cooperation with Pol Pot, appears to bring him closer to what the Chinese want in terms of an anti-Vietnam united front, as opposed to an international conference. We favor the latter.

-- China will evidently participate in the UN conference on refugees, where it can be expected to denounce Vietnam, possibly thereby making an international relief effort more difficult.

-- The China-supported Voice of the People of Thailand has "temporarily" stopped broadcasting, possibly as a Chinese gesture toward the Thai.

25X1

[REDACTED] it would appear that China seeks a special relationship with Thailand. Meanwhile, some degree of Chinese support for anti-Lao Government elements seems to be developing.

25X1

-- The problem of US policymakers in this area will be to keep, insofar as possible, Chinese policies and actions from conflicting with our own and from undercutting US interests. Again, the topic of our respective policies toward Indochina is something which is almost certain to arise during the Vice President's China visit.

All portions of this memorandum are SECRET.

cc: DD/NFA

25X1A

SECRET